

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



EC Healthcare

醫思健康

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2138)

DISCLOSEABLE TRANSACTION ACQUISITION OF 90% INTEREST IN THE TARGET COMPANY

THE ACQUISITION

On 10 December 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Seller entered into the Agreement, pursuant to which, among others, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares, representing approximately 90% of the entire issued share capital of the Target Company at Completion, for the Consideration of HK\$52,500,000 (subject to adjustment) payable in cash, subject to the terms and conditions of the Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition (assuming the Put Option is exercised) exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisition (assuming the Put Option is exercised) constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 10 December 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Seller entered into the Agreement, pursuant to which, among others, the Purchaser agreed to purchase, and the Seller agreed to sell, the Sale Shares, representing approximately 90% of the entire issued share capital of the Target Company at Completion, for the Consideration of HK\$52,500,000 (subject to adjustment) payable in cash, subject to the terms and conditions of the Agreement.

PRINCIPAL TERMS OF THE AGREEMENT

Date

10 December 2024 (after trading hours)

Parties

(1) the Purchaser; and

(2) the Seller.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, each of the Seller and its ultimate beneficial owner is an Independent Third Party.

Sale Shares

Pursuant to the Agreement, the Purchaser agreed to purchase, and the Seller agreed to sell the Sale Shares, representing approximately 90% of the entire issued share capital of the Target Company at Completion.

Consideration and Payment Terms

The Consideration for the Acquisition is HK\$52,500,000 (subject to adjustment below), which shall be payable by the Purchaser to the Seller upon Completion.

Adjustment

The Consideration will be adjusted as follows:

- (1) if the balance of (a) the accounts payable and (b) other payables and accrued charges of the management accounts of the Target Group Members as at 31 December 2024 ("**Total Payable Balance**") exceeds HK\$21,000,000, the Consideration will be reduced by the difference between the Total Payable Balance and HK\$21,000,000. No adjustment to the Consideration will be made if the Total Payable Balance is lower than HK\$21,000,000;
- (2) if the Key Assets Account Balances are less than HK\$67,000,000, the Consideration will be reduced by the shortfall between the Key Assets Account Balances and HK\$67,000,000. No adjustment to the Consideration will be made if the Key Assets Account Balances are greater than HK\$67,000,000; and

- (3) if the Bank Balances and Cash are less than HK\$7,000,000, the Consideration will be reduced by the shortfall between the Bank Balances and Cash and HK\$7,000,000. No adjustment to the Consideration will be made if the Bank Balances and Cash is greater than HK\$7,000,000.

The Seller further undertakes that the Key Assets Account Balances shall not be less than HK\$67,000,000.

The Consideration shall be financed by the internal resources of the Group.

The Consideration was determined after arm's length negotiations and on normal commercial terms between the Company, the Purchaser and the Seller with reference to, amongst others, (a) the market value of 100% equity interests of the Target Company as at the Valuation Date, in the amount of approximately HK\$58,300,000 by a valuation prepared by the Company using the market approach; (b) the profit or loss associated with the Sale Shares during the twelve months ended 30 June 2024 and the nine months ended 30 September 2024; (c) the undertaking of the Key Assets Account Balances being not less than HK\$67,000,000 and the Total Payable Balance being not more than HK\$21,000,000; (d) financial performance and business prospect of the Target Company; and (e) the reasons for and benefits of the Acquisition as set out in the section headed "Reasons for and Benefits of the Acquisition" of this announcement.

Valuation

In order to assess the market value of the Target Group, and hence the fairness and reasonableness of the Consideration, the Company has conducted the Valuation on the Target Group.

Major Assumptions adopted in the Valuation

The following major inputs and assumptions have been adopted by the Company in the Valuation:

- (1) there will be no material changes in the laws, rules or regulations, financial, economic, market and political conditions where the Target Group operates which may materially and adversely affect its businesses;
- (2) there will be no major changes in the current taxation law applicable to the Target Group;
- (3) the Target Group shall fulfil all legal and regulatory requirements necessary to conduct its business;
- (4) the Target Group shall not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;

- (5) the Target Group shall have uninterrupted rights to operate its existing businesses; and
- (6) the future movement of exchange rates and interest rates will not differ materially.

Methodology and approach adopted in the Valuation

In the Valuation, the Company considered three common valuation methods, namely the cost approach, income approach and market approach:

- (1) The cost approach (also known as the asset-based approach) establishes value based on the cost of reproducing or replacing the assets less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.
- (2) The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.
- (3) Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect the condition and utility of the appraised assets relative to the market comparables. Assets for which there is an established market may be appraised by this approach.

After comparing the three common valuation methods and given the nature of the business operations of the Target Group and the availability of market information, the Company considered that the market approach is the most optimal approach to value the Target Company in the Valuation for the following reasons:

- (1) Under the cost approach, the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. As the economic value of the Target Company is mainly attributable to its ability to generate revenues through its products and services but not the value or replacement costs of its assets, the cost approach is incapable of reliably reflecting the value of its equity interest.
- (2) Under the income approach, it requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date.

- (3) The market approach requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market values of the Target Company. The Target Company is expected to sustain its existing business operations in the long term in the future.

Based on the above reasons, the Company considered that the market approach is the most optimal approach to determine the fair value of the Target Company.

In the course of the Valuation, the Company considered both price-earnings ratio ("**PE Ratio**") and enterprise value to earnings before interest, taxes, depreciation & amortization ratio ("**EV-to-EBITDA Ratio**") are applicable to measure the business value of the Target Company as both of them relate the business value with profitability of the business. Among the two ratios, EV-to-EBITDA Ratio is more preferable to PE Ratio on the ground that the former ratio is neutral to capital structure, cash positions, depreciation and amortization policies and taxation policy of the business operations being valued and the comparable companies. Therefore, the EV-to-EBITDA Ratio is adopted based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies.

Key inputs and assumptions in the Valuation

To determine the market value of the Target Company, the EV-to-EBITDA ratio has been employed as the valuation method. The valuation of approximately HK\$58,300,000 is derived by applying an EBITDA of approximately HK\$13,207,000 for the trailing 12 months ended 30 June 2024, multiplied by a factor of 0.93. This factor reflects a significant discount to the mean EV-to-EBITDA ratio of comparable companies (the "**Comparable Companies**"), which stands at approximately 4.6860 times. The result is then adjusted by adding the Key Assets Account Balances (not less than HK\$67,000,000) and subtracting the Total Payable Balance (not exceeding HK\$21,000,000).

Alternatively, if the mean EV-to-EBITDA ratio of the Comparable Companies is applied directly to the Target Company's EBITDA for the same period, the EV of the Target Company would amount to approximately HK\$60,918,000. This figure falls within a 5% margin of the management's appraised valuation, thereby supporting its accuracy.

Comparable companies

In selecting appropriate comparable companies, the following selection criteria are adopted, all of which must be satisfied:

- (1) the company is engaged in the provision of aesthetic and beauty services sharing similar business nature as the Target Company;
- (2) the company's share trading prices and financial information are publicly available, to avert situation of misinformation;

- (3) the operating profit for the latest financial reporting period is positive to come up with a meaningful price multiple; and
- (4) the company's shares have more than 2 years' exchange trading history as newly listed stocks have relatively higher potential to be traded at unreasonable price level.

Ticker	Company Name	EV-to-EBITDA Ratio as at 30 September 2024
8603 HK	Fameglow Holdings Limited	5.8313
1827 HK	Miricor Enterprises Holdings Limited	4.3952
1830 HK	Perfect Medical Health Management Limited	5.1117
1161 HK	Water Oasis Group Limited	1.4836
9251 JP	AB&Company Co. Ltd.	6.6083
	Sample mean	4.6860

Conditions Precedent

Completion is conditional upon the fulfilment or waiver by the Purchaser in writing of the following Conditions Precedent, among others:

- (1) the Purchaser having completed business, financial and legal due diligence review in all aspects on the Target Group and the results of which are satisfactory to the Purchaser in its sole and absolute discretion in all respects;
- (2) all necessary consents and approvals in connection with the sale of the Sale Shares by the Seller to the Purchaser pursuant to the Agreement having been duly obtained;
- (3) each of the warranties provided by the Seller under the Agreement remaining true, accurate and not misleading in all material respects, and no fact, event or circumstance having occurred which would make such warranties untrue or inaccurate in any material respect, as given as at the date of the Agreement at all times up to and including the Completion Date;
- (4) there has been no material adverse change from the date of the Agreement up to and including the Completion Date; and
- (5) there having been no breach by the Seller of any of its obligations under the Agreement.

Save as Condition (2) above, the Purchaser has the right to waive the Conditions Precedent above in writing.

In the event that any of the Conditions Precedent is not fulfilled, or waived by the Purchaser, on or prior to the Long Stop Date, the Agreement shall become null and void and be of no further effect whatsoever and all the obligations and liabilities of the Purchaser and the Seller thereunder shall cease and determine.

Completion

Subject to the fulfilment (or where applicable, waiver) of the Conditions Precedent, Completion shall take place on the Completion Date.

Upon Completion, the Target Company will be owned as to approximately 90% by the Purchaser and the financial results of the Target Company will be included in the consolidated financial statements of the Group.

Put Option

Pursuant to the Agreement, the Purchaser granted to the Seller a put option (the **“Put Option”**) to require the Purchaser to purchase from the Seller all of the shares of the Target Company held by the Seller as at the date when the Put Option is exercised (**“Put Option Shares”**) with the Put Option Exercise Price (as defined below).

The exercise price of the Put Option, being the total consideration for the sale of the Put Option Shares (**“Put Option Exercise Price”**), shall be determined with reference to the Cash EBITDA of the Target Company for the year ended 31 December 2025 (**“FY25 Cash EBITDA”**) as agreed by the Purchaser and the Seller:

- (a) If the FY25 Cash EBITDA of the Target Company is HK\$10,000,000 or above, the Seller shall have the right to serve a written notice to the Purchaser to exercise the Put Option thereby requiring the Purchaser to purchase all the shares of the Target Company held by the Seller on the exercise date of the Put Option at the Put Option Exercise Price; or
- (b) If the FY25 Cash EBITDA of the Target Company is below HK\$10,000,000, the Seller may only exercise the Put Option after the determination of the Cash EBITDA of the Target Company for the year ended 31 December 2026 (**“FY26 Cash EBITDA”**) at the Put Option Exercise Price determined based on the FY26 Cash EBITDA by serving a written notice to the Purchaser to exercise the Put Option thereby requiring the Purchaser to purchase all the shares of the Target Company held by the Seller on the exercise date of the Put Option at the Put Option Exercise Price.

In any event, the Put Option Exercise Price shall in any event not exceed HK\$12,000,000.

The Put Option may be exercised by the Seller by serving written notice to the Purchaser in writing at any time within three (3) months following the management accounts, which have been agreed by the Purchaser and the Seller, for the year ending 31 December 2025 or 31 December 2026 (as appropriate) of the Target Company is made available to the Purchaser and the Seller.

INFORMATION ABOUT THE COMPANY, THE PURCHASER, THE SELLER AND THE TARGET COMPANY

The Company

The Company is a company incorporated under the laws of the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of medical services, aesthetic medical and beauty and wellness services, and veterinary and other services.

The Purchaser

The Purchaser, an indirect wholly-owned subsidiary of the Company, is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Seller

The Seller is a company incorporated under the laws of Bermuda with limited liability and is principally engaged in investment holding. The Seller is wholly owned by Hopewell Allied Limited, a company incorporated under the laws of the British Virgin Islands, which is in turn wholly owned by Mr. Christian Karl Nothhaft (“**Mr. Nothhaft**”). Mr. Nothhaft was the Chief Executive Officer of Watsons Personal Care Stores, China. He has extensive experience in business management and advisory, strategic planning, retail, consumer products, network rollouts and digital transformation.

The Target Company

The Target Company is a company incorporated under the laws of the British Virgin Islands with limited liability and is principally engaged in investment holding, and, through its subsidiaries, engages in the provisions of (a) tailored skincare solutions and expert hair care solutions in Hong Kong and Macau; and (b) comprehensive cosmetic care solutions in Hong Kong, under various brand names including BMF, Marie France, Svenson and Harvard Addhair Technologies etc. Immediately prior to the completion of the Acquisition, it was directly wholly owned by the Seller.

The consolidated financial information of the Target Company for the years ended 31 December 2022 and 2023 (extracted from audited financial information of each of the

subsidiaries comprising the Target Group), and for the ten months ended 31 October 2024 (extracted from unaudited management accounts of each of the subsidiaries comprising the Target Group), respectively, is as follows:

	For the year ended 31 December		For the ten months ended 31 October
	2022	2023	2024
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Revenue	124,777	143,464	130,648
EBITDA	21,990	(695)	11,584
Profit before taxation	7,059	(2,314)	7,332
Profit /(loss) after taxation	7,059	(2,314)	5,683

The consolidated total assets and net liabilities of the Target Company as at 31 October 2024 were approximately HK\$122.2 million and HK\$269.9 million respectively.

Included in the liabilities of the Target Group as at 31 October 2024 was amounts due to related parties of the Seller, namely Relevant Intercompany Balance, which amounted to approximately HK\$299.3million in aggregate. The Seller undertakes that the Relevant Intercompany Balance would be capitalised as reserve by way of shareholder's contribution before Completion. Should this capitalisation be executed as at 31 October 2024, the net assets value of the Target Group should be approximately HK\$29.4 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

In pursuit of the Group's strategic objective of sustainable development, the Company continues to proactively identify and invest in high-potential business opportunities, with the goal of creating diversified income streams and ensuring long-term growth. The Acquisition represents a pivotal step in this direction, empowering the Group to leverage on the Target Group's expertise and established network in delivering bespoke skincare solutions, advanced haircare services, and comprehensive cosmetic care solutions. These sectors, characterized by robust growth and diversification, are strategically significant in the Hong Kong market and beyond.

With the strong customer base and extensive market reach of the Target Group, the Acquisition is expected to significantly enhance the Group's market share while broadening its customer network. By integrating the Target Group into the Company's leading healthcare platform, operational efficiencies, cost-saving synergies and profitability could be improved and enhanced. The Group remains committed to utilizing its core strategies, including data-driven sales and marketing, operation efficiency, and advanced digital transformation, to amplify asset value, enhance return on equity, and optimize overall financial returns.

In addition, the Acquisition includes the acquisition of intellectual property rights for brand names across key markets, including China, Japan, Korea, the United Arab Emirates, the

United Kingdom, and Switzerland. This strategic move positions the Company to expand its footprint across both the Asia-Pacific and European regions, solidifying our presence in high-growth markets and enhancing our competitive edge on a global scale.

This consolidation of resources, combined with operational synergies and the integration of innovative technologies, is projected to yield substantial cost savings. Moreover, these efforts reinforce the Company's role as a leading market consolidation platform, uniquely positioned to capitalize on future opportunities in the evolving healthcare and wellness landscape.

Through the Acquisition, the Company reaffirm its unwavering commitment to delivering exceptional value to our stakeholders, enhancing customer satisfaction, and driving sustainable growth for the Group.

Having considered the above, the Directors consider that the terms of the Agreement and the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition (assuming the Put Option is exercised) exceeds 5% and all applicable percentage ratios are less than 25%, the Acquisition (assuming the Put Option is exercised) constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the Conditions Precedent. Accordingly, the Acquisition may or may not complete. Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the Purchaser's acquisition of the Sale Shares from the Seller pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 10 December 2024 entered into among the Company, the Purchaser and the Seller in respect of, among others, the Acquisition
“Bank Balances and Cash”	the bank balances and cash as shown in the management accounts of the Target Group as of 31 December 2024

“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or gazetted public holiday in Hong Kong)
“Cash EBITDA”	cash sales for the year minus advertising expenses, rental expenses, salary and commission expenses and other operating costs reported in the consolidated management accounts of the Target Company
“Company”	EC Healthcare (stock code: 2138), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Agreement
“Completion Date”	the 5 th Business Day immediately following the day on which the Conditions Precedent have been satisfied (or where applicable, waived)
“Conditions Precedent”	the conditions precedent to Completion as set out in the Agreement and described above in this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	consideration paid by the Purchaser to the Seller for the Acquisition pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Key Assets Account Balance”	the aggregate amount of the balance of (a) accounts receivables, (b) other receivables, deposits and

	prepayments, and (c) Bank Balances and Cash
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	two (2) months after the date of the Agreement or such later date as the Purchaser and the Seller may agree in writing
“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchaser”	BMF Worldwide Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Relevant Intercompany Balances”	all amounts due to or from any Target Group Member from or to any person (other than the Target Group Members) in which exist as current account balance
“Sale Shares”	Such number of shares, representing approximately 90% of the entire issued share capital of the Target Company immediately prior to Completion
“Seller”	The Cosmetic Care Group Limited, a company incorporated under the laws of Bermuda with limited liability
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Rising Gold Phoenix Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Target Group”	the Target Company and the Target Group Members
“Target Group Members”	the subsidiaries of the Target Group
“Valuation”	the valuation of 100% of the issued share capital in the

Target Company, as at the Valuation Date, by the Company

“Valuation Date” 30 September 2024

“%” per cent

By order of the Board
EC Healthcare
Raymond Siu
Company Secretary

Hong Kong, 10 December 2024

As at the date of this announcement, the executive Directors are Mr. Tang Chi Fai, Mr. Lu Lyn Wade Leslie and Mr. Lee Heung Wing, the non-executive Director is Mr. Luk Kun Shing Ben, and the independent non-executive Directors are Mr. Ma Ching Nam, Mr. Look Andrew and Mr. Au Tsun.